

NEWS RELEASE

For Release --

The audit report of Laurens Municipal Broadband Communications Utility for the year ended December 31, 2006, has been released. This report was issued by Hunzelman, Putzier & Co., PLC, C.P.A.'s and filed with David A. Vaudt, Auditor of State.

A copy of the audit report is available for review in the office of the Auditor of State and the Utility's office.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2006

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

LAURENS, IOWA

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LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Main	Trustee	April, 2007
Brad Olsen	Trustee	April, 2009
Robert O. Braesch	Trustee	April, 2011

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laurens Municipal Broadband Communications Utility
Laurens, Iowa

We have audited the accompanying balance sheets of Laurens Municipal Broadband Communications Utility, a component unit of City of Laurens, as of and for the years ended December 31, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Broadband Communications Utility as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2007, on our consideration of Laurens Municipal Broadband Communications Utility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

April 26, 2007

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens Municipal Broadband Communications Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2006. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Utility's operating revenues increased 12 %, or \$107,236, from 2005 to 2006.
- The Utility's operating expenses were 10%, or \$91,229, more in 2006 than in 2005.
- The Utility's net assets increased 8%, or \$50,233, from December 31, 2005 to December 31, 2006.

USING THIS ANNUAL REPORT

Laurens Municipal Broadband Communications Utility is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Broadband Communications Utility's financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Utility's financial activities.
- The Balance Sheets present information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows present the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE UTILITY

Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2006 totaled approximately \$681,000. This compares to approximately \$631,000 for 2005. A summary of the Utility's net assets is presented below.

	<u>2006</u>	<u>2005</u>
Current assets	\$492,127	\$386,225
Capital assets at cost, less accumulated depreciation	<u>407,080</u>	<u>452,264</u>
Total assets	<u>899,207</u>	<u>838,489</u>
Current liabilities	<u>217,787</u>	<u>207,302</u>
Total liabilities	<u>217,787</u>	<u>207,302</u>
Net assets:		
Invested in capital assets, net of related debt	407,080	452,264
Unrestricted	<u>274,340</u>	<u>178,923</u>
Total net assets	<u>\$681,420</u>	<u>\$631,187</u>

The largest portion of the Utility's net assets (60%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The remaining net assets (40%) are the unrestricted net assets that can be used to meet the Utility's obligations as they come due.

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)

Statements of Revenues, Expenses, and Changes in Net Assets

Operating revenues are received for providing cable, internet, and telephone services to the residents of the City. Operating expenses are expenses paid to operate the Utility. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the years ended December 31, 2006 and 2005, is presented below:

	<u>Changes in Net Assets</u>	
	<u>2006</u>	<u>2005</u>
Operating revenues:		
Cable services	\$ 204,265	\$172,406
Telephone services	528,383	508,714
Internet services	138,830	121,566
Other operating revenue	<u>149,976</u>	<u>111,532</u>
Total operating revenue	<u>1,021,454</u>	<u>914,218</u>
Operating expenses:		
Cable and internet services	276,099	243,862
Telephone services	372,928	341,889
Depreciation	89,465	79,707
Customers' accounts expense	4,565	217
Administrative and general expense	196,516	183,405
Head end expenses - maintenance	5,075	3,218
Head end expenses - operations	<u>26,573</u>	<u>27,694</u>
Total operating expenses	<u>971,221</u>	<u>879,992</u>
Increase in net assets	50,233	34,226
Net assets, beginning of year	<u>631,187</u>	<u>596,961</u>
Net assets, end of year	<u>\$ 681,420</u>	<u>\$631,187</u>

The Statements of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in the net assets from 2005 to 2006.

The Utility's operating revenue increased 12%, or \$107,236, from 2005 to 2006, due to the continued growth in cable modem sales, the leasing of space on our communications tower, the offering of new digital Cable TV services, and special circuits.

The Utility's operating expenses increased 10 %, or \$91,229, from 2005 to 2006, because of the start-up costs involved with the new digital Cable TV services and the special circuits. The Utility also upgraded some hardware to handle the continued growth in cable modem sales.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, and capital and related financing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets.

CAPITAL ASSETS

At December 31, 2006, the Utility had approximately \$407,000 invested in capital assets, net of accumulated depreciation of approximately \$607,000. Depreciation charges totaled \$89,465 for 2006. More detailed information about the Utility's capital assets is presented in Note 3 to the financial statements and in Schedule 1 of the supplementary information.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.
- Staying competitive with the large nation-wide companies not only with the services offered but also the price of these services.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

Exhibit A

ASSETS

	<u>2006</u>			<u>2005</u>
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>CAPITAL ASSETS</u>				
Utility plant in service	\$ 99,786	\$914,156	\$1,013,942	\$969,661
Less accumulated depreciation	<u>74,654</u>	<u>532,208</u>	<u>606,862</u>	<u>517,397</u>
Total net capital assets	<u>25,132</u>	<u>381,948</u>	<u>407,080</u>	<u>452,264</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	457,075	(339,296)	117,779	32,938
Accounts receivable (less provision for doubtful accounts of \$5,000 in 2006 and \$500 in 2005)	75,267	27,740	103,007	108,753
Due from electric utility	269,034	-	269,034	242,791
Prepaid expenses	<u>1,615</u>	<u>692</u>	<u>2,307</u>	<u>1,743</u>
Total current assets	<u>802,991</u>	<u>(310,864)</u>	<u>492,127</u>	<u>386,225</u>
Total assets	<u>\$828,123</u>	<u>\$ 71,084</u>	<u>\$ 899,207</u>	<u>\$838,489</u>

LIABILITIES AND NET ASSETS

	<u>2006</u>			
<u>CURRENT AND ACCRUED LIABILITIES</u>				
Accounts payable	\$101,633	\$103,673	\$205,306	\$194,465
Other current and accrued liabilities	<u>8,569</u>	<u>3,912</u>	<u>12,481</u>	<u>12,837</u>
Total current and accrued liabilities	<u>110,202</u>	<u>107,585</u>	<u>217,787</u>	<u>207,302</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	25,132	381,948	407,080	452,264
Unrestricted	<u>692,789</u>	<u>(418,449)</u>	<u>274,340</u>	<u>178,923</u>
Total net assets	<u>717,921</u>	<u>(36,501)</u>	<u>681,420</u>	<u>631,187</u>
Total liabilities and net assets	<u>\$828,123</u>	<u>\$ 71,084</u>	<u>\$899,207</u>	<u>\$838,489</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Exhibit B

	<u>2006</u>			<u>2005</u>
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>OPERATING REVENUES</u>	<u>\$655,855</u>	<u>\$365,599</u>	<u>\$1,021,454</u>	<u>\$914,218</u>
<u>OPERATING EXPENSES</u>				
CATV and internet services	-	276,099	276,099	243,862
Telephone services	372,928	-	372,928	341,889
Depreciation	8,127	81,338	89,465	79,707
Customers' accounts expense	3,800	765	4,565	217
Administrative and general expense	127,729	68,787	196,516	183,405
Head end expenses - maintenance	478	4,597	5,075	3,218
Head end expenses - operations	<u>8,422</u>	<u>18,151</u>	<u>26,573</u>	<u>27,694</u>
Total operating expenses	<u>521,484</u>	<u>449,737</u>	<u>971,221</u>	<u>879,992</u>
Operating income (loss)	134,371	(84,138)	50,233	34,226
Net assets, beginning of year	<u>583,550</u>	<u>47,637</u>	<u>631,187</u>	<u>596,961</u>
Net assets, end of year	<u>\$717,921</u>	<u>\$ (36,501)</u>	<u>\$ 681,420</u>	<u>\$631,187</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Exhibit C

	<u>2006</u>			<u>2005</u>
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from customers	\$665,334	\$361,866	\$1,027,200	\$910,073
Cash paid to suppliers	(441,916)	(321,961)	(763,877)	(657,756)
Cash paid to employees	(72,629)	(35,329)	(107,958)	(105,579)
Net cash provided by operating activities	<u>150,789</u>	<u>4,576</u>	<u>155,365</u>	<u>146,738</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Advances to electric utility	<u>(26,243)</u>	<u>-</u>	<u>(26,243)</u>	<u>(242,791)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Additions to utility plant	<u>-</u>	<u>(44,281)</u>	<u>(44,281)</u>	<u>(120,106)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>124,546</u>	<u>(39,705)</u>	<u>84,841</u>	<u>(216,159)</u>
Cash and cash equivalents at beginning of year	<u>332,529</u>	<u>(299,591)</u>	<u>32,938</u>	<u>249,097</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$457,075</u>	<u>\$(339,296)</u>	<u>\$ 117,779</u>	<u>\$ 32,938</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating income (loss)	<u>\$134,371</u>	<u>\$ (84,138)</u>	<u>\$ 50,233</u>	<u>\$ 34,226</u>
Adjustments to reconcile operating income (loss) to net cash provided by operations:				
Depreciation	8,127	81,338	89,465	79,707
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	9,479	(3,733)	5,746	3,430
Decrease (increase) in prepaid expenses	(395)	(169)	(564)	218
Increase (decrease) in accounts payable	(612)	11,453	10,841	27,468
Increase (decrease) in other liabilities	<u>(181)</u>	<u>(175)</u>	<u>(356)</u>	<u>1,689</u>
Total adjustments	<u>16,418</u>	<u>88,714</u>	<u>105,132</u>	<u>112,512</u>
Net cash provided by operating activities	<u>\$150,789</u>	<u>\$ 4,576</u>	<u>\$ 155,365</u>	<u>\$146,738</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Broadband Communications Utility is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Broadband Communications Utility provides telephone, cable, and internet services to consumers in Laurens, Iowa. Sale of local telephone, cable, and internet services are billed on the twentieth of each month for service from the first to the end of the month billed. Sales of long distance telephone service are billed on the twentieth of each month for usage through the fifteenth of the month. An unbilled receivable in the amount of \$2,518 has been recorded for the period December 15 through December 31. Laurens Municipal Broadband Communications Utility is billed by their telephone, cable, and internet providers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Broadband Communications Utility has included all funds, organizations, agencies, boards, commissions, and authorities. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Utility. Laurens Municipal Broadband Communications Utility has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Broadband Communications Utility are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2006.

Budgets and Budgetary Accounting - The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a comparison of revenues, expenses, and changes in net assets - actual to budget:

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Use of money and property	\$ 13,680	\$ 13,500	\$ 13,500	\$ 180
Charges for services	910,688	854,000	910,500	188
Miscellaneous	<u>97,086</u>	<u>12,500</u>	<u>108,000</u>	<u>(10,914)</u>
	1,021,454	880,000	1,032,000	(10,546)
Expenses	<u>971,221</u>	<u>820,000</u>	<u>986,000</u>	<u>14,779</u>
Net	50,233	60,000	46,000	4,233
Net assets, beginning of year	<u>631,187</u>	<u>639,961</u>	<u>639,961</u>	<u>(8,774)</u>
Net assets, end of year	<u>\$ 681,420</u>	<u>\$699,961</u>	<u>\$ 685,961</u>	<u>\$ (4,541)</u>

2. DEPOSITS

The Utility's deposits in banks at December 31, 2006, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397, days but the maturities shall be consistent with the needs and use of the Utility.

The Utility had no investments meeting the disclosure requirements of *Governmental Auditing Standards Board* Statement Number 3, as amended by Statement Number 40.

3. PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2006 and 2005:

	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>2005 Total</u>
Distribution plant	\$59,681	\$880,757	\$ 940,438	\$896,157
Other equipment	<u>40,105</u>	<u>33,399</u>	<u>73,504</u>	<u>73,504</u>
Total plant	<u>\$99,786</u>	<u>\$914,156</u>	<u>\$1,013,942</u>	<u>\$969,661</u>

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

4. PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2006, 2005, and 2004, were \$5,408, \$5,237, and \$4,833, respectively, equal to the required contributions for each year.

5. RISK MANAGEMENT

Laurens Municipal Broadband Communications Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

7. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Broadband Communications Utility and the Laurens Municipal Light and Power Plant have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$173,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and payments are due June 1 of each year.

HUNZELMAN, PUTZIER & CO., PLC
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Board of Trustees
Laurens Municipal Broadband Communications Utility
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Hunzelman, Putzier & Co.

April 26, 2007

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>			<u>2005</u>
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>OPERATING REVENUES</u>				
Sale of cable services:				
Basic and digital cable	\$ -	\$204,265	\$ 204,265	\$172,406
Sale of telephone services:				
Local	219,170	-	219,170	219,761
Long distance	67,706	-	67,706	50,006
Access fees	241,507	-	241,507	238,947
Internet	-	138,830	138,830	121,566
Transport fee credits	90,900	-	90,900	90,900
Special circuits	20,808	-	20,808	-
Other	5,484	-	5,484	7,822
USAC - High cost	6,934	-	6,934	7,317
Tower lease fees	-	13,680	13,680	-
Converters	-	5,984	5,984	258
Miscellaneous	3,346	2,840	6,186	5,235
Total operating revenue	<u>655,855</u>	<u>365,599</u>	<u>1,021,454</u>	<u>914,218</u>
<u>OPERATING EXPENSES</u>				
Cost of service:				
Basic and digital programming	-	143,472	143,472	119,589
Internet fees	-	37,228	37,228	39,773
Transport fees	18,791	5,399	24,190	31,000
Switching fees	79,017	-	79,017	74,797
Long distance fees	79,683	-	79,683	65,410
Access fees	91,658	-	91,658	87,626
Billing fees	20,930	-	20,930	20,401
Illuminet fees	3,008	-	3,008	2,038
Directory listing fees	4,841	-	4,841	117
Joint use fees	75,000	90,000	165,000	145,000
Total cost of service	<u>372,928</u>	<u>276,099</u>	<u>649,027</u>	<u>585,751</u>
Head end system:				
Wages and benefits	5,473	8,003	13,476	13,607
Operating expenses and supplies	2,949	8,080	11,029	14,087
Customers' installation expense	-	2,068	2,068	-
Maintenance and repairs	-	3,700	3,700	1,867
Buildings and grounds	478	897	1,375	1,351
Depreciation	5,968	79,265	85,233	74,388
Total head end system	<u>14,868</u>	<u>102,013</u>	<u>116,881</u>	<u>105,300</u>
Customers' accounts expense:				
Bad debt expense (recoveries)	3,800	765	4,565	217
Administrative and general expense:				
Administrative and general salaries	67,400	26,469	93,869	92,846
Office supplies and postage	8,405	4,011	12,416	11,981
Audits, legal, and consultation services	3,682	1,585	5,267	8,688
Property insurance	3,308	1,364	4,672	4,653

(Continued)

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>			<u>2005</u>
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>OPERATING EXPENSES - (Continued)</u>				
Administrative and general expense: (Continued)				
Compensation insurance	\$ 2,064	\$ 997	\$ 3,061	\$ 1,897
Employees' group insurance	20,732	8,889	29,621	24,729
Trustees' fees	630	270	900	900
Dues and subscriptions	2,364	2,402	4,766	3,292
Franchise requirement - cost of				
services to City of Laurens	114	10,862	10,976	11,403
Legal publications	935	401	1,336	848
Advertising and promotion	1,381	536	1,917	2,269
Convention, meeting, and travel expense	575	319	894	622
Depreciation	2,159	2,073	4,232	5,319
Motor vehicle and work equipment expense	2,125	674	2,799	3,644
E911 fees	9,721	-	9,721	9,289
Miscellaneous	4,293	10,008	14,301	6,344
Total administrative and general expense	<u>129,888</u>	<u>70,860</u>	<u>200,748</u>	<u>188,724</u>
Total operating expense	<u>521,484</u>	<u>449,737</u>	<u>971,221</u>	<u>879,992</u>
Operating Income (loss)	<u>\$134,371</u>	<u>\$ (84,138)</u>	<u>\$ 50,233</u>	<u>\$ 34,226</u>

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LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMMENTS ON BALANCE SHEET
DECEMBER 31, 2006

<u>CAPITAL ASSETS</u>	Cost	\$1,013,942	
	Accumulated Depreciation	<u>606,862</u>	<u>\$ 407,080</u>

Details of the utility plant are shown in the preceding schedule.

<u>CASH AND CASH EQUIVALENTS</u>	<u>\$ 117,779</u>
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This balance consists of the following:

	Interest Rate	Amount
Demand deposit NOW account:		
Laurens State Bank - money market account	3.30%	<u>\$ 117,779</u>

<u>ACCOUNTS RECEIVABLE</u>	<u>\$ 103,007</u>
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This balance consists of the following:

Accounts receivable - cable, internet, and telephone sales:	
November 15, 2006 - December 15, 2006 and past due	\$ 53,240
December 16, 2006 - December 31, 2006	2,518
Accounts Receivable Access Fees:	
October 19, 2006 - November 19, 2006 and past due	25,315
November 20, 2006 - December 31, 2006	26,934
Less: Allowance for doubtful accounts	<u>(5,000)</u>
	<u>\$ 103,007</u>

<u>DUE FROM ELECTRIC UTILITY</u>	<u>\$ 269,034</u>
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This balance consists of funds loaned to the electric utility.

<u>PREPAID EXPENSES</u>	<u>\$ 2,307</u>
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This balance consists of the following:

Prepaid insurance	<u>\$ 2,307</u>
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<u>ACCOUNTS PAYABLE</u>	<u>\$ 205,306</u>
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This balance consists of the following:

National Cable Television Cooperative - December programming	\$ 8,193
Pocahontas E911 - 4 th quarter E911 fees	2,366
Long Lines - Telephone fees	14,354
Long Lines - Carrier access billing fees	9,812
Laurens Municipal Broadband Communications Utility - Joint use fees	165,000
City of Laurens - Franchise fees	5,296
Various, each less than \$1,000	285
	<u>\$ 205,306</u>

OTHER CURRENT AND ACCRUED LIABILITIES

\$ 12,481

This balance consists of the following items:

Accrued vacation, payroll and benefits	\$ 9,059
Accrued sales, use, and excise tax	<u>3,422</u>
	<u>\$ 12,481</u>

NET ASSETS

\$ 681,420

Following is a summary of the changes in this account during 2006:

Balance, January 1, 2006	\$ 631,187
Change in net assets	<u>50,233</u>
Balance, December 31, 2006	<u>\$ 681,420</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Laurens Municipal Broadband Communications Utility
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Broadband Communications Utility, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Utility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Utility's financial statements that is more than inconsequential will not be prevented or detected by the Utility's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Utility's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Utility's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utility's responses, we did not audit responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Broadband Communications Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Utility during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hungelman, Putzier & Co.

April 26, 2007

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. The duties of opening mail, bank deposits, recording receipts and disbursements, bank reconciliations, and payroll preparation will be rotated among our office staff and monitored daily by the General Manager. Two (2) signatures on all check disbursements are required.

Conclusion - Response accepted.

I-B-06 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the Utility's computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Utility's computer-based systems were noted:

The Utility does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- ensuring that only software licensed to the Utility is installed on computers,
- requiring user profiles to help limit access to programs to those who have a legitimate need.

Also, the Utility does not have a written disaster recovery plan.

Recommendation - The Utility should develop written policies addressing the above items in order to improve the Utility's control over computer based systems and a written disaster recovery plan should be developed.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2006

Part I: Findings Related to the Financial Statements: (Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

I-B-06 Electronic Data Processing Systems - (Continued)

Response - The Utility will work to develop the necessary written policies addressing disaster recovery, password privacy, confidentiality, and personal use of computer equipment and software.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Budget - Utility expenditures during the year ended December 31, 2006, did not exceed the amounts budgeted.
- II-B-06 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.
- II-D-06 Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.
- II-E-06 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
- II-G-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.
- II-H-06 Telecommunications Services - No instances of noncompliance with Chapter 388.10 of the Code of Iowa were noted.